Australian Council of Social Service

Submission on the Aged Care Bill 2024

Community Affairs Legislation Committee

1 October 2024

About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.

The Australian Councils of Social Service comprise a network of at least 4,000 organisations and individuals across Australia in metropolitan, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

Summary

ACOSS welcomes the opportunity to provide a submission on the Aged Care Bill 2024 (the Bill).

We previously urged the Aged Care Taskforce to commit to free, quality aged care services at home and in nursing homes, with accommodation and other ancillary services potentially still attracting charges. To do so, we recommended the introduction of a 15% aged care levy on superannuation fund earnings post-retirement.

While the Government has acknowledged its role as the main funder of aged care services, it has ruled out the introduction of a levy. As a result, the Bill introduces consumer contributions and charges to help fund aged care services.

ACOSS thinks this is flawed policy that jeopardises the universality of essential care services, and sets a concerning precedent for similar, future directions in government policy development.

Further, it does not address the significant fiscal pressures that remain for government to sustainably fund care services with an increasingly inadequate public revenue base.

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1. Government should protect access to universal, essential care services

ACOSS welcomes the opportunity to provide a submission on the Aged Care Bill 2024 (the Bill). To start, we acknowledge the positive measures introduced by the Government to more firmly secure aged care services. The recently announced $4.3 billion 'Support at Home' investment is a substantial step to reducing wait times for care at home, and the 15% increase in the award wage for aged care workers is necessary and strongly supported.

The focus of our submission is on how aged care services should be funded by government.

In 2023, we provided a submission to the Aged Care Taskforce, as it considered options for how to best fund aged care services. We attach our submission to the Aged Care Taskforce, for further information related to our position on the Bill.

The Federal Government acknowledged in its Response to the Aged Care Taskforce (the Taskforce) that it will remain the majority funder of aged care services.[1] ACOSS agrees with this position.

However, ACOSS strongly believes that the Government should use levies to fund universal, quality essential care services to ensure equitable access for all people needing to access such services. We do not support increasing the usage of consumer co-contributions and charges in the care services system.

As such, ACOSS believes that aged care services, whether provided at home or in aged care homes, should be available to everyone free of charge. Accommodation and other ancillary services could still attract charges, but the care component of aged care services should be free, as is the case for public hospital treatment and care.

In our submission to the Taskforce, ACOSS recommended that the government introduce a 15% levy on superannuation fund earnings after retirement to fund an Aged Care Service Guarantee. The Guarantee would ensure that quality care would be available to every person who needs it. Equally, the care would be benchmarked by an independent authority.

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[1] Australian Government, Department of Health and Aged Care, 'Government Response to the Aged Care Taskforce', 12 September 2024, Recommendation 2, p 1.

Designing the aged care system on these principles would provide myriad benefits to government, service providers and people accessing services, including:

- reducing the risk of cost shifting to users or between governments, at the expense of quality care, e.g. between nursing homes and hospital care, with one fully funded by government and the other not.
- curtailing the danger that older people who require care at home will avoid using the necessary services because they are too expensive, which can ultimately increase demand for nursing home care through a deterioration of people's health.
- reducing the likelihood of a two-tier care system where high-quality care is only accessible for those able to pay the most.
- reducing the risk of excessive and counter-productive service user charges being introduced in the future, by not imposing them in the first place.
- alleviating worries among older people that they will not be able to 'afford' later-life care. These fears are a major reason for older people's reluctance to draw down their superannuation to fund a decent retirement, impacting their quality of life and funnelling substantial taxpayer-supported retirement savings into bequests.

In its Response to the Aged Care Taskforce, the Government ruled out a specific tax or levy to fund aged care.[2] As a result, Chapter 4 of the Bill, sets out amongst other items:

- what the Commonwealth will pay, and what an individual can be asked to pay based on a means test; and
- the individual fees and contributions that are payable for funded aged care services. This includes means testing rules for all service groups to determine what individual contributions are payable. In residential care, means tested resident contributions relate to non-clinical care, everyday living and accommodation.

Ruling out the use of levies, and instead increasing the use of consumer contributions is flawed policy. Increasing the reliance on consumer contributions and means testing care services directly undermines universality, creating a tiered support system where people with higher incomes and wealth will inevitably be able to access higher quality services and support packages. This

[2] Australian Government, Department of Health and Aged Care, 'Government Response to the Aged Care Taskforce', 12 September 2024, Recommendation 2, p 1.

will continue to have a corrosive impact on the accessibility of service systems over time.

The Bill, if passed in its current form, will establish a precedent that has the potential to negatively influence government policy development in other care service areas.

2. Major fiscal pressures remain in funding care services

Greater reliance on consumer contributions will not adequately stave off the steep fiscal challenges facing the Commonwealth in funding care services and maintaining a skilled and growing workforce.

The latest Intergenerational Report (IGR) projects the Federal Government's contributions to aged care to be one of the five fastest growing large payment categories over the next forty years, with an average annual growth rate of over 6 per cent.[3] Over the next 40 years, the number of people aged 65 and over will more than double, and the number aged 85 and over will more than triple.[4] However, in the immediate decade, expenditure on most Commonwealth programs is projected to decline as a share of GDP, reflecting chronic under-funding of essential services and consequently substantial levels of unmet need for essential services in the community.[5]

Based on the Bill's policy trajectory, it will not be possible for future governments to properly fund aged care and health services, and concurrently address the systemic inadequacies revealed by the recent Royal Commission.

Undoubtedly, funding quality aged care services requires the identification of additional measures for the Federal Government. Currently, Australia has a deep, structural problem with its current revenue base. Australia is the ninth lowest-taxing country among 36 OECD nations. Combined, governments in Australia collect 29% of GDP in tax compared with an average of 34.1% among wealthy nations.

Contrary to claims that Australia relies too heavily on income taxes, personal income tax revenue is also lower than the average for wealthy nations (11.4% of GDP in 2017 compared with an OECD average of 17%) when we take account of social insurance taxes.[6] In short, Australia cannot afford to persist with the anachronism that only 16% of older people pay income tax.[7]

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[3] Australian Government, *Intergenerational Report 2023: Australia's future to 2063*, August 2023, page 130-131

[4] Australian Government, *Intergenerational Report 2023: Australia's future to 2063*, August 2023, page viii

[5] ACOSS, Federal Budget Priority Statement 2023-24, page 55.

[6] OECD, *Revenue statistics*: 2022, *Taxing wages brochure.*

[7] Coates B (2018), 'The entitlement of age', Grattan Institute.

Even if the Bill is passed, there will continue to be a pressure for Government to find responsible, reasonable and targeted options to fairly raise additional Commonwealth revenue to fund aged care which provides elderly people with a dignified and decent life.

3. Conclusion

Australia has a longstanding principle to provide universal, essential health care services, so that decent care is available to everyone, regardless of their means. Such services have traditionally been provided either free of charge (such as public hospitals), or at modest cost (such as General Practitioner consultations).

The Bill now puts this principle in direct jeopardy.

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